

**SAFETY EVALUATION REPORT  
PROPOSED CHANGE OF CONTROL FOR BYPRODUCT MATERIALS LICENSE  
NUMBER 21-00258-06, ALLEGIANCE HEALTH**

**DATE:** 03/17/2016  
**DOCKET NO.:** 030-01990  
**LICENSE NO.:** 21-00258-06  
**LICENSEE:** Allegiance Health

**TECHNICAL REVIEWER:** Toye L. Simmons 

**SUMMARY AND CONCLUSIONS:**

Allegiance Health is authorized by NRC License 21-00258-06 for the possession and use of byproduct material for the purposes of human diagnostic studies as permitted by 10 CFR 35.200. The U.S. Nuclear Regulatory Commission (NRC) staff reviewed a request for consent to an indirect license transfer submitted by Allegiance Health. On November 9, 2015, W.A. Foote Memorial Hospital d/b/a Allegiance Health ("AH", or "Hospital") and Henry Ford Health System ("HFHS") executed a Letter of Intent in which the Parties agreed to enter into an Agreement pursuant to which HFHS shall become the sole "member" (i.e., the corporate parent) of Allegiance Health Services, the sole member of Allegiance Health. As a result of this Transaction, the legal structure of AH (the license holder) will not change and the entity will continue to exist and conduct business on a "go forward" basis. The governing board of the Hospital will remain intact and will continue to govern and control the operation of the Hospital, with the addition of two members appointed by HFHS, constituting a minority interest. The indirect transfer of control is described in Agency Documents Access and Management System (ADAMS) accession numbers ML16011A509 and ML16033A257.

The request for consent was reviewed by NRC staff for an indirect change in control of a 10 CFR Part 30 license using the guidance in NUREG 1556, Volume 15, "Consolidated Guidance About Materials Licenses - Guidance About Changes of Control and About Bankruptcy Involving Byproduct, Source, or Special Nuclear Materials Licenses," dated November 2000. The NRC staff finds that the information submitted by Allegiance Health sufficiently describes and documents the transaction and commitments made by HFHS and Allegiance Health.

As required by 10 CFR 30.34 and section 184 of the Atomic Energy Act of 1954, as amended (the Act), NRC staff has reviewed the application and finds that the proposed change in control is in accordance with the Act. The staff finds that, after the change of control, Allegiance Health will remain qualified to use byproduct material for the purpose requested, and will continue to have the equipment, facilities, and procedures needed to protect public health and safety, and promotes the security of licensed material.

**SAFETY AND SECURITY REVIEW**

According to data obtained from ADAMS, Allegiance Health has been an NRC licensee since May 25, 1965, first under the name of W.A. Foot Memorial Hospital and in 2008 the licensee was re-named Allegiance Health (name change only). The NRC conducted a main office

inspection of Allegiance Health on January 16 & 17, 2014, and no violations were identified during this inspection. The commitments made by HFHS and Allegiance Health state that Allegiance Health (License No. 21-00258-06):

- A. will not change the radiation safety officer listed in the NRC license;
- B. will not change the personnel involved in licensed activities;
- C. will not change the locations, facilities, and equipment authorized in the NRC license;
- D. will not change the radiation safety program authorized in the NRC license;
- E. will not change the organization's name listed in the NRC license; and
- F. will maintain regulatory required surveillance records and decommissioning records.

Allegiance Health Services (AHS) proposes a transaction by which Henry Ford Health System ("HFHS") whose principal corporate office is located in Detroit, Michigan, will become the sole member of AHS ("Transaction"). Upon closing, AHS will become a wholly-owned subsidiary of HFHS, with HFHS as the new ultimate parent of AHS and its subsidiaries, including Allegiance. Allegiance will continue to exist, with the same name and employer identification number, and will continue to be the owner and operator of its hospital and care facilities. The immediate parent company, W.A Foot Memorial Hospital, of Allegiance will remain the same; only the ultimate parent of AHS will change due to the Transaction. This type of transaction is sometimes referred to as a "tertiary affiliation," signifying that Allegiance (the primary owner/operator/licensee), and the new "owner entity" introduced into the equation by virtue of the Transaction, is three times removed. The important consideration is that as to Allegiance:

- The legal structure and ownership of Allegiance will not change, i.e., Allegiance will continue to be a membership corporation owned by sole member AHS;
- There will be no change to Allegiance's tax ID number, or Medicare and Medicaid provider numbers;
- The fourteen Allegiance Governing Board Members will continue to serve on that Board and HFHS will appoint up to three new members;
- The Allegiance personnel responsible for the safety and oversight of licensed materials and activities will not change and they will continue to report to the same Allegiance executive leader;
- Allegiance Board Members and the Allegiance President can only be removed or terminated by HFHS for cause.

Therefore, for security purposes, HFHS, W.A. Foot Memorial Hospital and Allegiance are considered known entities following the guidance provided by the NRC's Office of Federal and State Materials and Environmental Management Programs (FSME) 'Checklist to provide a basis for confidence that radioactive materials will be used as specified on the license', September 3, 2008 revision. The purpose of this checklist is for the NRC to obtain reasonable assurance from

new license applicants or NRC licensees transferring control of licensed activities that the licensed material will be used for its intended purpose and not for malevolent use.

Allegiance Health is not required to have decommissioning financial assurance based on the types and amount of material authorized in License No. 21-00258-06.

## **REGULATORY FRAMEWORK**

Allegiance Health's License No. 21-00258-06, was issued under 10 CFR Part 30, Rules of General Applicability to Domestic Licensing of Byproduct Material. The Commission is required by 10 CFR 30.34 to determine if the change of control is in accordance with the provisions of the Act and give its consent in writing.

10 CFR 30.34(b) states: "No license issued or granted pursuant to the regulations in this part and parts 31 through 36, and 39 nor any right under a license shall be transferred, assigned or in any manner disposed of, either voluntarily or involuntarily, directly or indirectly, through transfer of control of any license to any person, unless the Commission shall, after securing full information, find that the transfer is in accordance with the provisions of the Act and shall give its consent in writing."

As previously indicated, the staff evaluation is based on guidance in NUREG-1556, Volume 15. As discussed in NUREG-1556, Volume 15, NRC is generally using the term "change of control" rather than the statutory term "transfer" to describe the variety of events that could require prior notification and written consent of the NRC. The central issue is whether the authority over the license has changed. Allegiance Health's request for consent describes an indirect change of control resulting from a planned transaction and, as such, the transfer requires NRC consent.

## **DESCRIPTION OF TRANSACTION**

The transaction is described in ADAMS accession numbers ML16011A509 and ML16033A257. After completion of the merger, Allegiance Health will continue as the licensee and remain in control of all licensed activities under Materials License No. 21-00258-06. The NRC staff finds that the request for consent adequately provides a complete and clear description of the transaction, and is consistent with the guidance provided in Appendix F of NUREG-1556, Volume 15.

## **TRANSFEREE'S COMMITMENT TO ABIDE BY THE TRANSFEROR'S COMMITMENTS**

The NRC staff finds that the information submitted by Allegiance Health sufficiently describes and documents the commitments made by HFHS and Allegiance Health, and is consistent with the guidance in NUREG-1556, Volume 15.

## **ENVIRONMENTAL REVIEW**

An environmental assessment for this action is not required since this action is categorically excluded under 10 CFR 51.22(c)(14)(xi).

## **CONCLUSION**

The staff has reviewed the request for consent submitted by both parties with regard to an indirect change of control of byproduct materials license No. 21-00258-06 and approves the application pursuant to 10 CFR 30.34(b).

The submitted information sufficiently describes the transaction; documents the understanding of the license and commitments; demonstrates that personnel have the experience and training to properly implement and maintain the license and that they will maintain the existing records; And, in the future, will abide by all existing commitments to the license, consistent with the guidance in NUREG-1556, Volume 15.

Therefore, the staff concludes that the proposed change in control would not alter the previous findings, made under 10 CFR Part 30, that licensed operations will not be inimical to the common defense and security, or to the health and safety of the public.